

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1690 - SB 1378

March 15, 2011

SUMMARY OF BILL: Creates a one-time sales tax holiday for senior citizens to occur between the first Friday of March 2012 and the following Sunday. Exempted items include, but are not limited to, reading glasses, hearing aids, health monitors, canes, walkers, wheelchairs, clothing priced \$100 or less per item, respiratory equipment, televisions priced \$1,500 or less, certain telephones and wireless communication devices, and certain travel products. Creates a recurring sales tax holiday for senior citizens to occur each year between the first Friday in October and the following Sunday. Exempted items for the recurring sales tax holiday are the same items exempted for the one-time sales tax holiday.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – Net Impact – Exceeds \$18,018,400/FY11-12
Exceeds \$18,885,700/FY12-13 and Subsequent
Years**

Increase State Expenditures - \$8,131,100/FY12-13 and Subsequent Years

Decrease Local Revenue - \$8,131,100/FY11-12

Assumptions:

- The current Fiscal Review Committee estimate for state sales tax revenue for FY11-12 is \$6,565,020,000.
- There are 8,760 hours each calendar year (24 hours x 365 days).
- State sales tax collections per hour for FY11-12 are estimated to be \$749,432 (\$6,565,020,000 / 8,760 hours).
- State sales tax collections for each three-day period (or 72-hour period) are estimated to be \$53,959,104 (\$749,432 x 72 hours).
- Twenty-five percent of state sales tax collections are derived from senior citizens.
- Purchases made by senior citizens increase by at least 40 percent during the sales tax holiday.
- The decrease in state sales tax revenue will exceed \$18,885,686 (\$53,959,104 x 25% x 140%) each year.
- Pursuant to Tenn. Code Ann. § 67-6-103 (a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.

HB 1690 – SB 1378

- There is no hold-harmless provision for local governments for the loss of local government revenue attributable to the one-time March 2012 sales tax holiday; however, local governments will be held harmless from the loss of revenue attributable to the recurring October sales tax holidays.
- The net decrease in state revenue for FY11-12 will exceed \$18,018,361 [$\$18,885,686 - (\$18,885,686 \times 4.5925\%)$].
- An average state sales tax rate of 6.5 percent and an average local option sales tax rate of 2.5 percent. The average state sales tax rate takes into account the reduced state sales tax rate for food and food ingredients.
- The decrease in local government revenue for FY11-12 will exceed \$8,131,051 $\{[(\$18,885,686 / 6.5\%) \times 2.5\%] + [\$18,885,686 \times 4.5925\%]\}$.
- The recurring decrease in state revenue for FY12-13 and subsequent years will exceed \$18,885,686.
- The recurring increase in state expenditures for FY12-13 for holding local governments harmless from loss of revenue will exceed \$8,131,051 $\{[(\$18,885,686 / 6.5\%) \times 2.5\%] + [\$18,885,686 \times 4.5925\%]\}$.
- No other increase in state expenditures for administration because DOR has resources for administering the annual sales tax holiday occurring each August.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc